ABSTRACT

Since its inception, Papua has faced structural challenges in the form of geographic isolation, development disparities, and social and cultural complexities. These conditions have contributed to the emergence of economic agglomeration centers. This study aims to identify the spatial clustering patterns of economic growth and to estimate the direct and spillover effects of endogenous growth factors on economic growth. The study employs the Spatial Durbin Model (SDM) using data from 42 regencies/cities across Papua during the 2017–2024 period. The results indicate that there is no global spatial autocorrelation; however, local spatial autocorrelation is identified in seven regencies/cities. The marginal effects decomposition results show that increases in physical capital, government expenditure, and human capital (health) enhance economic growth within a regency/city. However, increases in physical capital and government expenditure in a particular area generate negative spillover effects on the economic growth of neighboring regions, indicating that agglomeration centers tend to absorb resources from surrounding areas. Human capital (health) generates a positive cumulative impact. Given that the majority of regencies/cities still exhibit a government-led growth pattern, this study recommends a policy reorientation toward the development of interregional connectivity infrastructure, the creation of labor-intensive economic ecosystems based on the comparative advantages of each regency/city, the equitable distribution of education and healthcare services to remote areas, and the design of incentives to encourage private sector participation in order to achieve sustainable economic growth.

Keywords: *Economic Growth, Spatial Analysis, Endogenous Growth, Spatial Durbin Model.*